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Message Text

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43
ACTION EUR-25

INFO OCT-01 ADP-00 EB-11 FBO-01 L-03 CIAE-00 INR-10

NSAE-00 RSC-01 SS-15 NSC-10 NSCE-00 SSO-00 INRE-00

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---------- 118825
O 181550 Z JUN 73
FM AMEMBASSY MOSCOW
TO SECSTATE WASHDC IMMEDIATE 9714
INFO USDOC WASHDC IMMEDIATE

C O N F I D E N T I A L MOSCOW 7165

E. O. 11652: GDS
TAGS: AFSP ETRD ABLD
SUBJ: NEW COMMERCIAL PREMISES IN MOSCOW

REF: STATE 117078

1. CHARGE CALLED ON ACTING CHIEF OF MFA USA DIVISION MIKHAILOV (AFTER EARLY APPOINTMENT WITH DEPUTY FONMIN FIRYUBIN PROVED IMPOSSIBLE) AND EXPRESSED STRONG U. S. INTEREST IN REACHING AGREEMENT EARLY THIS WEEK ON PREMISES FOR EXPANDED EMBASSY ECONOMIC AND COMMERCIAL OFFICE. HE INDICATED THAT US WISHED TO MAKE ANNOUNCEMENT TO THIS EFFECT DURING BREZHNEV VISIT, AND HE SAID WE APPRECIATE OFFER OF PROPERTY SHOWN US LAST WEEK. HE ASKED THAT FIRYUBIN BE INFORMED THAT EMBASSY OFFICERS WOULD CONTACT UPDK TODAY TO NEGOTIATE PRICE, MAKING IT CLEAR THAT NO " RECIPROCITY" FOR KAMA PURCHASING COMMISSION IN NEW YORK COULD BE CONTEMPLATED. INSTEAD, PRICE WE WOULD BE WILLING TO PAY MUST BE BASED ON MOSCOW GOING RATE, AS REFLECTED IN RPICES PAID BY OTHER FOREIGN COMMERCIAL OFFICES. MIKHAILOV EXPRESSED SOME DOUBT THAT QUESTION COULD BE SETTLED SO QUICKLY, BUT SAID HE WOULD INFORM FIRYUBIN.

2. ADMIN COUNSELOR AND ACTING ECON COUNSELOR MET LATER WITH UPDK DIRECTOR IVANOV. IN THEIR PRESENTATION EMBOFFS
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STATED THAT PROPERTY UPDK OFFERING AT SMOLENSKAYA SQUARE MEETS OUR REQUIREMENTS, NOTED US INTEREST IN MAKING PUBLIC ANNOUNCEMENT OF AGREEMENT ON COMMERCIAL PROPERTY DURING BREZHNEV VISIT, AND EXPLAINED THEY WERE EMPOWERED NOW TO NEGOTIATE ON TERMS OF LEASE. IVANOV REITERATED POSITION THAT PRINCIPLE OF RECIPROCITY MUST APPLY, EXPLAINING THAT SINCE SOVIET PURCHASED BUILDING IN WASHINGTON(FOR $260,000) FOR EXPANDED COMMERCIAL FACILITIES BEST COMPARISON WOULD BE WITH KAMA PURCHASING COMMISSION IN NEW YORK WHICH PAYS ANNUAL RENT OF $86,000 FOR 8,000 SQUARE FEET OR $10.74 PER SQUARE FOOT ($115 PER SQUARE METER) PER ANNUM.

3. EMBOFFS STATED PRINCIPLE OF RECIPROCITY IN RENTS NOT ACCEPTABLE, IVANOV RESPONDED THAT CONSTRUCTION MATERIAL AND LABOR COSTS HAVE RISEN IN USSR IN RECENT YEARS, THAT AMORTIZATION AND UPKEEP OF PROPERTY MUST BE COMPENSATED, AND THAT EMBASSY COULD NOT EXPECT TO PAY " SYMBOLIC" RENT FOR NEW COMMERCIAL PROPERTY AS IT NOW PAYS FOR EMBASSY AND SPASO HOUSE. (FYI: WE CALCULATE RENT ON EMBASSY PROPERTY TO BE SLIGHTLY LESS THAN 4 RUBLES PER SQUARE METER.) IVANOV CONTINUED THAT UPDK HAS PROPERTY AGREEMENTS WITH 400 FOREIGN MISSIONS AND REPRESENTATION IN MOSCOW AND THAT IN EACH CASE PRINCIPLE OF RECIPROCITY APPLIES.

4. ADMIN COUNSELOR THEN PROPOSED THAT RENT FOR NEW COMMERCIAL PROPERTY BE BASED ON GOING RATE FOR SIMILAR PROPERTY IN MOSCOW AND CITED AS EXAMPLE BRITISH COMMERCIAL OFFICE ON KUTUZOVSKY PROSPEKT WHICH PAYS ABOUT 12 RUBLES PER SQUARE METER PER ANNUM. IVANOV SHOWED NO WILLINGNESS TO NEGOTIATE ON THIS BASIS, EMBOFFS ASKED WHETHER HE WAS PREPARED TO MAKE COUNTER OFFER WHICH WAS NOT BASED ON PRINCIPLE OF RECIPROCITY. IVANOV STATED HE WAS NOT PREPARED TO DO SO, BUT INDICATED THAT UPDK WOULD BE IN TOUCH WITH EMBASSY IN NEXT DAY OR TWO TO DISCUSS MATTER FURTHER. EMBOFFS EXPRESSED HOPE NEGOTIA-
5 IONS COULD CONTINUE PROMPTLY, AND ON DEPARTURE REPEATED US INTEREST IN MAKING ANNOUNCEMENT DURING BREZHNEV VISIT.
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